
By: **Senators Neall, Astle, Baker, Blount, Colburn, Collins, Conway, Currie, DeGrange, Della, Dorman, Dyson, Exum, Ferguson, Forehand, Frosh, Green, Hafer, Haines, Hoffman, Hogan, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Kasemeyer, Kelley, Kittleman, Lawlah, McFadden, Middleton, Mitchell, Mooney, Munson, Roesser, Ruben, Schrader, Sfikas, Stoltzfus, Stone, Teitelbaum, and Van Hollen**

Introduced and read first time: January 30, 2002

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Participation in the State Medical**
3 **Assistance Program**

4 FOR the purpose of making a certain tax exemption for nonprofit health service plans
5 subject to a requirement that nonprofit health service plans operate a certain
6 managed care organization in the State Medical Assistance Program; requiring
7 certain nonprofit health service plans to submit an annual report by a certain
8 date; authorizing the Insurance Commissioner to allow a certain report to be
9 filed as a part of another report; providing that certain nonprofit health service
10 plans have a certain amount of time to comply with a certain order; providing
11 that an applicant for a certificate of authority as a nonprofit health service plan
12 shall satisfy the Commissioner that the nonprofit health service plan operates a
13 certain managed care organization in the State Medical Assistance Program;
14 and generally relating to nonprofit health service plans operating certain
15 managed care organizations in the State Medical Assistance Program.

16 BY repealing and reenacting, without amendments,
17 Article - Insurance
18 Section 6-101(b)(1)
19 Annotated Code of Maryland
20 (1997 Volume and 2001 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article - Insurance
23 Section 14-106, 14-107, and 14-110
24 Annotated Code of Maryland
25 (1997 Volume and 2001 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Insurance**

4 6-101.

5 (b) The following persons are not subject to taxation under this subtitle:

6 (1) a nonprofit health service plan corporation that meets the
7 requirements established under §§ 14-106 and 14-107 of this article;

8 14-106.

9 (a) It is the public policy of this State that the exemption from taxation for
10 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that
11 funds which would otherwise be collected by the State and spent for a public purpose
12 shall be used in a like manner and amount by the nonprofit health service plan.

13 (b) This section does not apply to a nonprofit health service plan that insures
14 fewer than 10,000 covered lives in Maryland.

15 (c) By March 1 of each year or a deadline otherwise imposed by the
16 Commissioner for good cause, each nonprofit health service plan shall file with the
17 Commissioner a premium tax exemption report that:

18 (1) is in a form approved by the Commissioner; and

19 (2) demonstrates that the plan has used funds equal to the value of the
20 premium tax exemption provided to the plan under § 6-101(b) of this article, in a
21 manner that serves the public interest in accordance with subsection (d) of this
22 section.

23 (d) (1) BY JANUARY 1 OF EACH YEAR OR A DEADLINE OTHERWISE IMPOSED
24 BY THE COMMISSIONER FOR GOOD CAUSE, EACH NONPROFIT HEALTH SERVICE PLAN
25 SHALL FILE WITH THE COMMISSIONER A PREMIUM TAX EXEMPTION REPORT THAT
26 DEMONSTRATES THAT THE NONPROFIT HEALTH SERVICE PLAN OPERATES A
27 MANAGED CARE ORGANIZATION IN THE STATE MEDICAL ASSISTANCE PROGRAM
28 UNDER TITLE 15 OF THE HEALTH - GENERAL ARTICLE THAT PROVIDES SERVICES TO
29 ENROLLEES IN EACH COUNTY OF THE STATE.

30 (2) THE COMMISSIONER MAY AUTHORIZE A NONPROFIT HEALTH
31 SERVICE PLAN TO FILE THE REPORT REQUIRED UNDER THIS SUBSECTION AS PART
32 OF THE REPORT FILED UNDER SUBSECTION (C) OF THIS SECTION.

33 (E) Except as provided in subsection [(e)] (F) of this section, a nonprofit health
34 service plan may satisfy the public service requirement in subsection (c)(2) of this
35 section by establishing that the plan has:

1 (1) increased access to, or the affordability of, one or more health care
2 products or services by offering and selling health care products or services that are
3 not required or provided for by law; or

4 (2) served the public interest by any method or practice approved by the
5 Commissioner.

6 [(e)] (F) The Commissioner may not consider the fact that a nonprofit health
7 service plan offers a product through the substantial, available, affordable coverage
8 program when determining whether the plan has satisfied the requirements of
9 subsection (c)(2) of this section.

10 [(f)] (G) Each report filed with the Commissioner under [subsection]
11 SUBSECTIONS (c) AND (D) of this section is a public record.

12 14-107.

13 (a) By November 1 of each year, the Commissioner shall issue an order
14 notifying each nonprofit health service plan that is required to file [a report] THE
15 REPORTS REQUIRED under § 14-106 of this subtitle of whether the plan has satisfied
16 the requirements of § 14-106 of this subtitle.

17 (b) (1) If the Commissioner determines that a nonprofit health service plan
18 has not satisfied the requirements of § 14-106 of this subtitle, the nonprofit health
19 service plan shall have 1 year from the date the Commissioner issued the order under
20 subsection (a) of this section to comply with the requirements of § 14-106 of this
21 subtitle.

22 (2) If after the time period provided under paragraph (1) of this
23 subsection the Commissioner determines that a nonprofit health service plan has not
24 satisfied the requirements of § 14-106 of this subtitle[:

25 (i) the Commissioner shall report the determination to the House
26 Economic Matters Committee and the Senate Finance Committee, including the
27 reasons for the determination; and

28 (ii) if required by an act of the General Assembly], the nonprofit
29 health service plan shall be subject to the premium tax under Title 6, Subtitle 1 of
30 this article FOR THE TAXABLE YEAR IN WHICH THE COMMISSIONER MAKES THE
31 DETERMINATION.

32 (c) A nonprofit health service plan that fails to timely file the [report]
33 REPORTS required under § 14-106 of this subtitle shall:

34 (1) pay the penalties under § 14-121 of this subtitle; AND

35 (2) BE SUBJECT TO AN ORDER REQUIRING THE PLAN TO PAY THE
36 PREMIUM TAX.

1 (d) A party aggrieved by an order of the Commissioner issued under this
2 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this
3 article.

4 14-110.

5 The Commissioner shall issue a certificate of authority to an applicant if:

6 (1) the applicant has paid the applicable fee required by § 2-112 of this
7 article; and

8 (2) the Commissioner is satisfied:

9 (i) that the applicant has been organized in good faith for the
10 purpose of establishing, maintaining, and operating a nonprofit health service plan;

11 (ii) that:

12 1. each contract executed or proposed to be executed by the
13 applicant and a health care provider to furnish health care services to subscribers to
14 the nonprofit health service plan, obligates or, when executed, will obligate each
15 health care provider party to the contract to render the health care services to which
16 each subscriber is entitled under the terms and conditions of the various contracts
17 issued or proposed to be issued by the applicant to subscribers to the plan; and

18 2. each subscriber is entitled to reimbursement for podiatric,
19 chiropractic, psychological, or optometric services, regardless of whether the service is
20 performed by a licensed physician, licensed podiatrist, licensed chiropractor, licensed
21 psychologist, or licensed optometrist;

22 (iii) that:

23 1. each contract issued or proposed to be issued to
24 subscribers to the plan is in a form approved by the Commissioner; and

25 2. the rates charged or proposed to be charged for each form
26 of each contract are fair and reasonable; [and]

27 (iv) that the applicant has a surplus, as defined in § 14-117 of this
28 subtitle, of the greater of:

29 1. \$100,000; and

30 2. an amount equal to that required under § 14-117 of this
31 subtitle; AND

32 (V) THAT EXCEPT FOR A NONPROFIT HEALTH SERVICE PLAN THAT
33 INSURES FEWER THAN 10,000 COVERED LIVES IN THE STATE, THE NONPROFIT
34 HEALTH SERVICE OPERATES OR PLANS TO OPERATE A MANAGED CARE
35 ORGANIZATION IN THE STATE MEDICAL ASSISTANCE PROGRAM UNDER TITLE 15 OF

1 THE HEALTH - GENERAL ARTICLE THAT PROVIDES SERVICES TO ENROLLEES IN
2 EACH COUNTY OF THE STATE.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 July 1, 2002.